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C O N F I D E N T I A L SECTION 01 OF 03 HANOI 000413

SENSITIVE  
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FOR EAP/MLS AND EEB

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SUBJECT: IN VIETNAM, CHINA AND BAUXITE DON'T MIX

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Classified By: PolCouns Brian Aggeler. Reasons 1.4 (b/d)

11. (C) Summary: Planned Chinese involvement in bauxite exploitation projects in the Central Highlands, especially the use of Chinese laborers, has triggered an unusually high-profile "open" public policy debate. Prominent Vietnamese, including famed war hero General Vo Nguyen Giap, have called for the project to be scrapped, or at least delayed. Though the mainstream media generally repeats the official line, thousands of blog writers have written about the project on a daily basis, with journalists writing online what the censors wouldn't let them publish in their columns: jeremiads decrying environmental damage, jobs lost to foreigners and even a "quiet Chinese invasion" of the sensitive highlands region. While the government has insisted that it intends to proceed with bauxite exploitation, the outcry -- echoed in a petition authored by prominent Vietnamese intellectual Nguyen Hue Chi and presented to the National Assembly -- has prompted Central-level authorities to address public concerns. On April 26, the influential Chair of the Politburo Standing Committee, Truong Tan Sang, announced that bauxite projects would remain in Vietnamese hands; meanwhile, the government announced that it would review the qualifications of foreign workers. End summary.

#### Feasibility and Environmental Concerns

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12. (C) The bauxite mining projects -- Nhan Co in Dak Nong province and Tan Rai in Lam Dong province (septel) -- have generated on-line criticism almost since their inception. Many questioned the projects' feasibility, given the difficulties in attracting financing during a period of global recession, the highly volatile world market for aluminum, and possibly inadequate energy and water supplies. Others argued that the projects themselves make poor economic sense, particularly when compared to the area's current production of rubber, coffee, and tea. The director of the Consultancy on Development, a Dutch-funded NGO, Pham Quang Tu, commented that the inability to smelt aluminum seriously undermines the economic rationale for the undertaking. At a much-publicized October 2008 conference attended by officials from the state-owned Vietnamese Coal and Minerals Company (Vinacomin) and its potential foreign partners, the director of one of Vinacomin's subsidiaries, Dr. Nguyen Thanh Son, called attention to the Qow domestic demand for aluminum and called for more attention to be paid to sustainable development.

13. (SBU) Particular attention was focused on the possible environmental effects of the project as well. In a gesture widely discussed on the internet, the revered war hero and Party patriarch General Vo Nguyen Giap issued an "open letter" to Prime Minister Nguyen Tan Dung, declaring the environmental costs of bauxite development to be too high and calling for a temporary halt to the bauxite project until international experts could review its ecological impact. Giap's January 5 letter noted that he had overseen a study on bauxite in the early 1980s, and that Soviet advisors had recommended against the project because of the environmental risks involved. Buoyed by Giap's example, scientists, environmentalists, and other interested citizens voiced concern for Vietnam's "green roof" in the Central Highlands. Critics pointed to the possibility of water contamination by "red mud" (a combination of iron, manganese, and soda discharged during the production of alumina), the devastating effects of bauxite mining on soil, and Vietnam's failure to protect the environment in the coal mining region of Quang Ninh.

#### A "Chinese Military Base" in the Highlands

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14. (SBU) Though the project's environmental effects provided the hook for much of the public opposition, anxieties about China's involvement in the project provided the emotional core. The GVN always expected challenges, and early on recognized the need to line up foreign investors. (Note: Neither the World Bank nor the Asian Development Bank (ADB) are currently interested in the project: the ADB does not finance projects in the extractive sector, and the World Bank's resident environment officer recommended that the Bank stay away from bauxite in Vietnam. End note.) As described

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by Nhan Co Alumni Joint Stock Company Director Bui Quang Tien, the Central Highlands' utter lack of human resources, infrastructure, environmental remediation capacity and capital always meant that the Vietnamese companies would have to rely heavily on foreign partners -- including a significant Chinese presence. Agreements were signed in 2008 to bring Chinese (Chinalco), Russian and U.S. partners into the various bauxite projects. But it was the Chinese involvement that drew people's ire, particularly the potential presence of "thousands" of Chinese workers.

15. (SBU) Vietnamese luminaries -- old-line Party stalwarts such as Vietnam's ambassador to China, General Nguyen Trong Vinh -- asserted that the presence of "up to 10,000 Chinese workers" posed an "unacceptable" national security threat, a "Chinese military base" in the middle of the strategically sensitive Central Highlands. Documents were posted online by a consultant for Vinacomin asserting that the bauxite exploitation tender terms were written specifically to favor low-tech, low-cost Chinese investors that would not be able to meet Vietnam's environmental standards. In a typical posting, one blogger referred to bauxite mining as an "attempt by Chinese capitalists... to take over Southeast Asia and the South China Sea," while another wondered whether China would openly back Montagnard separatists in the Central Highlands. Still another saw the project as a plot to shift its pollution-causing industries to a pristine part of Vietnam.

#### Publicly Indignant--From Paper to Blogs to Petitions

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16. (C) Newspapers gently probed the edges of the environment story -- press contacts told us their "official guidance" allowed reporting on the environment, though not about the China angle -- but photos of Chinese laborers in Lam Dong provinces began to appear on blogs alongside essays raising concerns about national security. The Office of the Government (#17/TB-VPCG) instructed journalists to stop reporting on bauxite, but indirect reporting continued as

various press outlets ran stories decrying the number of Chinese workers active on other projects that have been awarded to Chinese contractors, as well as the tendency of Chinese general contractors to use exclusively Chinese-origin equipment and supplies even when competing local products are available at competitive prices. Further instructions limiting reporting on Chinese contractors in particular did nothing to quell continued press attention to (unnamed) foreign firms bringing in excessive number of laborers and showing a marked preference for imported inputs. The attention most likely led to the April 21 decision by the Ministry of Labor, Invalids and Social Affairs (MoLISA) to announce plans for a crackdown on illegal foreign workers.

¶7. (C) Official instructions limiting the mainstream media's ability to report directly on the Bauxite/Environment/China controversy only served to further aggravate the already heated discussion in the blogs. One ConGen spot check found more than 3,400 Yahoo360 blogs discussing bauxite, with another 4,300 on Google Blogs. Former Central Committee Party Ideology Chief Huu Tho probably stoked the flames even more when he alluded to "new forms of invasion" (read: from China) on the internet news source VietnamNet, and advised the authorities to "trust the patriotism of the young people."

¶8. (SBU) Against this backdrop, on April 12 the Hanoi-based Nguyen Hue Chi, Vietnam's version of a public intellectual, submitted a petition, with the signatures of 150 other intellectuals in and outside of Vietnam, to the National Assembly asking the government to reconsider Vietnam's bauxite development. By April 27, the list of signers had grown to over 1,000. One HCMC signatory reported that when Chi tried to deliver the petition to the offices of the Prime Minister and President, staff told him there was "no precedent for receiving petitions" and asked him to mail the petition instead.

#### Dissidents Sense an Opening

¶9. (C) More traditional opponents of the regime quickly jumped on the bandwagon as well. Petition signatories include the prominent Hanoi-based dissident Pham Hong Son, usually considered a relative moderate. Perhaps sensing an

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opportunity to tie their ongoing land disputes to the bauxite controversy, on April 26, over one thousand Vietnamese Catholics affiliated with Hanoi's Thai Ha parish staged a prayer vigil to protest bauxite mining. Afterwards, the vigil protestors signed a petition against bauxite mining. Other outspoken critics of the regime such as the internationally recognized dissident Dr. Nguyen Dan Quei and the leader of the banned Unified Buddhist Church of Vietnam Thich Quang Do have also attempted to use this issue to undercut the GVN, as has the outlawed U.S.-based opposition party Viet Tan, which in an editorial in the Asia Times blasted Vietnam's leadership for failing to "stand up" to China.

#### Putting the Genie Back in the Bottle

¶10. (C) ConGen HCMC and Embassy contacts speculate that the government recognizes that it misjudged the depth of public dissatisfaction with the bauxite project, China's involvement in particular, and is scrambling to remedy the situation. As early as April 9, DPM Hoang Trung Hai hosted a seminar in which he reiterated the government's commitment to bauxite development but suggested that the government would be prepared, in the name of environmental protection, to delay the projects. (Note: On the eve of the seminar, General Giap issued a second letter in which he declared that "the exploitation of bauxite should not be allowed as it would cause extremely serious damage to the environment, society, and national defense." End note.)

¶11. (C) On April 21 PM Dung asked the Ministry of Labor, War Invalids and Social Affairs (MoLISA) to review regulations on managing foreign workers and their enforcement. More importantly, on April 26, the influential Chair of the Politburo Standing Committee Truong Tan Sang announced a new Politburo decision on bauxite that allows small-scale excavation by Vinacomin subsidiaries Nhan Co (Dak Nong) and Tan Rai (Lam Dong) but limits future development. Press reports with titles like "Miners Should Not Profit to Detriment of Environment: Politburo" described the decision as centered on environmental concerns. While no mention is made of China, the decision instructs Nhan Co and Tan Rai not to sell project shares to foreign partners, to prioritize Vietnamese companies and workers, and not to employ foreign manual workers "unless necessary."

Comment: Back to the Drawing Board?

¶12. (C) While these moves may calm Vietnamese patriots, it is unclear what long-term impact they will have. Even as they hedge, the central-level leadership has consistently reaffirmed its commitment to bauxite development. Proponents of bauxite excavation, moreover, have the firm support of provincial party leaders hoping to develop the impoverished provinces with the help of foreign, most notably Chinese, investors. And finally, there is the simple fact that the projects represent a high-profile commitment to the Chinese, affirmed in joint statements. Still, the "public debate" that the bauxite controversy has engendered is significant, both for its widespread dissemination and emotional content and for the apparent effect it has had on the government. It is difficult to say for certain that public letters, leaked memos, blogs and petitions forced the government to recalibrate its position, the episode provides heavy circumstantial evidence that public opinion in some instances can have a marked influence on policy. End comment.

¶13. (U) This cable is a joint product of Embassy Hanoi and ConGen HCMC.  
MICHALAK